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TO AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 272755

E.O. 11652: GDS

TAGS: EINV, EG, US

SUBJECT: SUPPLEMENTAL INFORMATION ON U.S. INVESTMENT
PROJECTS

REF: STATE 271045

1. BELOW IS ADDITIONAL INFORMATION ON TABER METALS,
INTERNATIONAL TANK TERMINALS, AND BORDEN PROJECTS PROVIDED
BY THE U.S. COMPANIES.

TABER METALS

AMOUNT OF EXPORTS FROM EGYPT

30 PERCENT OF TOTAL PRODUCTION OF 3,000 METRIC TONS
PER YEAR. AT PRICE OF ABOUT DOLLAR A POUND, EXPORTS
WOULD AMOUNT TO ABOUT DOLS 2 MILLION.

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AMOUNT OF IMPORTS REQUIRED

INITIAL EQUIPMENT - TO BE PAID FOR BY U.S. EQUITY
PORTION.

INPUTS FOR PRODUCT INSIGNIFICANT IF PLANT RECEIVES

ALUMINUM FROM THE GOE SMELTER.

CAPITAL REQUIRED

U.S. DOLLARS ----- DOLS 2.5 MILLION
LOCAL CURRENCY ---- DOLS 4.75 MILLION EQUIVALENT
EQUITY ----- DOLS .5 MILLION IN U.S. DOLLARS
----- DOLS 2.25 MILLION IN EGYPTIAN POUNDS
DEBT ----- DOLS 2.0 MILLION IN U.S. DOLLARS
----- DOLS 2.5 MILLION IN EGYPTIAN POUNDS

EQUITY HOLDERS

AMERICAN UNIVERSITY ENDOWMENT FUND ----- 48 PERCENT
PETER W. NICHOLS (EGYPTIAN PARTNERS GROUP) 44 PERCENT
(TABER PLANS TO REDUCE AMOUNT OF THE
EGYPTIAN GROUP'S EQUITY.)
TABER METALS, RUSSELFIELD, ARKANSAS ----- NEGLIGIBLE
RESERVED FOR OPTIONS ----- 8 PERCENT

MANAGEMENT CONTROL

ALL CONTROL WILL BE IN HANDS OF TABER METALS. EGYPTIAN
PARTNERS WILL HAVE NO ROLE IN MANAGEMENT.

SOURCE OF DEBT

AMERICAN UNIVERSITY CAIRO
ENDOWMENT FUND ----- DOLS 2.5 MILLION
FIRST NATIONAL CITY BANK ----- DOLS 2.0 MILLION

FOREIGN EXCHANGE SAVINGS FOR GOE FROM IMPORT SUBSTITUTION

SINCE GOE CURRENTLY IMPORTS MANY PRODUCTS MADE OF
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STEEL AND WOOD WHICH COULD BE REPLACED BY PRODUCTS OF
THE TABER METALS PLANT, THERE WOULD BE SUBSTANTIAL
FOREIGN EXCHANGE SAVINGS. FIGURES WERE NOT AVAILABLE.
THE COMPANY FINANCIAL OFFICER, SHARM LOHARA, WILL BE
IN CAIRO DURING PARSKY GROUP VISIT AND MAY BE ABLE TO
PROVIDE SUCH ESTIMATES.

OTHER INFORMATION

TABER PLANS TO FORM SEPARATE OFF-SHORE COMPANY WITH SAUDI AND KUWAITI INVESTMENT TO HANDLE MARKETING ABROAD. NAME OF COMPANY IN EGYPT IS ARAB ALUMINUM COMPANY AND THERE IS ANOTHER RELATED COMPANY CALLED TABER TECHNICAL SERVICES. ALL THESE COMPANIES HAVE OFFICE SPACE IN CAIR

INTERNATIONAL TANK TERMINALS

AMOUNT OF EXPORTS

NOT APPLICABLE, PROJECT IS TO CONSTRUCT AND OPERATE BULK LIQUID TERMINAL

AMOUNT OF IMPORTS REQUIRED

ALL MACHINERY AND EQUIPMENT REQUIRED FOR CONSTRUCTION OF TERMINAL WILL BE PROVIDED BY FOREIGN EQUITY SO THERE WILL BE NO BURDEN ON EGYPTIAN FOREIGN EXCHANGE.

AMOUNT OF CAPITAL REQUIRED

U.S. DOLLARS ----- DOLS 4.5 MILLION
LOCAL CURRENCY ----- DEPENDS ON THE AMOUNT OF
----- EQUIPMENT THAT COULD BE PUR-
----- CHASED LOCALLY -- PRESENTLY
----- UNKNOWN

AMOUNT IN EQUITY AND
AMOUNT IN DEBT ----- COMPANY IS WAITING FOR CONTRACT
----- TO BE SIGNED BEFORE DETERMINING
----- THIS. IT IS WILLING TO FINANCE
----- ENTIRE PROJECT THROUGH EQUITY.

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EQUITY HOLDERS

INTERNATIONAL MATEX (PARENT COMPANY OF INTERNATIONAL TANK TERMINALS EGYPT) HAS 50 PERCENT AND EGYPTIAN PARTNER FOUAD YARED HAS 50 PERCENT.

SOURCE OF DEBT

COMPANY PLANS TO MAKE PRESENTATION TO OPIC BUT HAS NOT DONE SO YET BECAUSE CONTRACT IS NOT YET SIGNED. COMPANY HAS CONTACTED SOME EGYPTIAN BANKS ABOUT FINANCING AND FOUND THEM VERY RECEPTIVE TO PROJECT.

FOREIGN EXCHANGE SAVINGS FOR GOE FROM IMPORT SUBSTITU-

TION

COMPANY DOES NOT HAVE PRECISE OVERALL FIGURES BUT BELIEVES THE LIKELY SAVINGS TO BE ENORMOUS. COMPANY CITED FIGURES OF 40,000 TONS OF COTTONSEED OIL AND 50,000 TONS OF TALLOW IMPORTED ANNUALLY THROUGH ALEXANDRIA PORT IN STEEL BARRELS, WHICH IS EXTREMELY EXPENSIVE, COSTING ABOUT DOLS 200 A TON MORE THAN

WOULD PLANNED TERMINAL. THIS WORKS OUT TO ANNUAL SAVINGS OF DOLS 18 MILLION, JUST ON IMPORTS OF THESE TWO PRODUCTS ALONE. (THIS FIGURE WOULD BE REDUCED BY WHATEVER INCOME IS DERIVED FROM RESALE ABROAD OF USED BARRELS). ADDED COST OF SHIPPING IN BARRELS IS INCLUDED IN COST OF PRODUCT AND REPRESENTS PAYMENT TO FOREIGN PACKAGER.

THERE WOULD ALSO BE A SAVINGS ON FREIGHT, WHICH COMPANY HAS NOT COMPUTED.

IN ADDITION, CURRENT HANDLING LOSSES RUN ABOUT 3 PERCENT, WHILE INTERNATIONAL TANK TERMINALS WOULD GUARANTEE GOE LOSS RATE OF LESS THAN 1 PERCENT. THIS AMOUNTS TO SAVINGS OF A FEW MILLION DOLLARS A YEAR.

PROFIT REMITTANCE
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COMPANY EXPECTS TO EARN MOST OF ITS PROFITS ON DIFFERENCE BETWEEN STANDARD LOSS RATE OF 3/4 PERCENT ALLOWED ITT IN CONTRACT AND ACTUAL LOSS RATE, WHICH COMPANY EXPECTS TO BE MUCH LESS. COMPANY WILL RETAIN DIFFERENCE BETWEEN ACTUAL LOSSES AND 3/4 PERCENT OF TOTAL SHIPMENTS THROUGH TERMINAL AND SELL THIS PRODUCT AS IT SEES FIT. SINCE TERMINAL IS IN FREE TRADE ZONE, IT CAN SELL THE PRODUCT BACK TO SHIPPERS FOR HARD CURRENCY.

COMPANY UNDERSTANDS THAT IT CAN APPLY EACH YEAR TO GOE FOR REPATRIATION OF DIVIDENDS AND HAS BEEN GIVEN NO REASON TO BELIEVE SUCH REQUESTS WOULD BE REFUSED.

COMPANY WILL MAKE A PROFIT THROUGH RENTING TO GOE STORAGE SPACE IN 14 TANKS AT COST OF 62,500 EGYPTIAN POUNDS A MONTH (INTERNATIONAL TANK TERMINALS WILL OWN THE TERMINAL.) THERE IS ALSO CHARGE FOR FILLING DRUMS WRITTEN INTO CONTRACT.

OTHER INFORMATION

COMPANY FEELS THAT EVIDENT GOE INTENTION TO PUT
PROJECT OUT FOR TENDER NOW AFTER TWO YEARS OF
NEGOTIATING AND EXPENSE BY COMPANY IS UNFAIR AND
WOULD TEND TO DISCOURAGE U.S. COMPANIES FROM INVESTING
IN EGYPT.

BORDEN

AMOUNT OF EXPORTS

EXACT FIGURES NOT AVAILABLE, BUT BORDEN EXPECTS TO
EXPORT ABOUT 20 PERCENT OF ICE CREAM SALES OF DOLS 4-5
MILLION A YEAR AND 50 PERCENT OF BOTTLED WATER SALES
OF DOLS 4-5 MILLION. ICE CREAM EXPORTS WOULD RESULT
FROM SALES TO SHIPS TRANSITING SUEZ CANAL AND TO
FOREIGN TOURISTS WHO WOULD NOT BE AFRAID TO BUY
ICE CREAM WITH BORDEN TRADE MARK.

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AMOUNT OF IMPORTS REQUIRED

ABOUT DOLS 3 MILLION IN FOREIGN CAPITAL REQUIRED
TO GET PROJECT STARTED TO BE PROVIDED BY BORDEN.

IMPORTS OF DRY MILK REQUIRED AS RAW MATERIAL BECAUSE
LOCAL SUPPLY OF FRESH MILK IS INADEQUATE. BORDEN IS
PREPARED TO IMPORT THIS THROUGH PARALLEL OR FREE-
EXCHANGE MARKETS, THUS PUTTING NO BURDEN ON OFFICIAL

FOREIGN EXCHANGE RESERVES. IF GOE AGREED TO MAKE
SOME FOREIGN EXCHANGE AVAILABLE TO BORDEN AT OFFICIAL
RATE, BORDEN COULD LOWER PRICE OF ITS PRODUCT SOMEWHAT.

CAPITAL REQUIRED

U.S. DOLLARS ----- DOLS 3-4 MILLION FOR ICE
----- CREAM PROJECT
----- DOLS 1.5-2.0 MILLION FOR
----- WATER BOTTLING PROJECT

LOCAL CURRENCY ----- DOLS 1 MILLION WORTH OF
----- EGYPTIAN POUNDS (APPROXI-
----- MATELY) FOR ICE CREAM
----- PROJECT AND ABOUT SAME FOR
----- WATER PROJECT.

----- BORDEN WOULD BE WILLING TO
----- PUT UP BALANCE IF LOCAL

----- PARTNERS CANNOT PUT UP THIS
----- AMOUNT. EQUITY PROPORTIONS
----- WOULD BE CHANGED APPROPRIATE
----- LY.

DEBT ----- DEBT WOULD NOT BE MAJOR
----- PORTION OF CAPITAL REQUIRED
----- IN BEGINNING. AFTER IN

----- OPERATION DEBT MIGHT BE USED TO
-----OBTAIN WORKING CAPITAL.

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EQUITY HOLDERS

MISR DAIRY 49 PERCENT OF ICE CREAM PROJECT AND BORDEN
51 PERCENT.

PYRAMID BREWERIES 30 PERCENT OF WATER BOTTLING PROJECT
AND BORDEN 70 PERCENT.

SOURCES OF DEBT

NOT APPLICABLE IN BEGINNING; LATER SOURCES WOULD BE
LOCAL BANKS.

ESTIMATED FOREIGN EXCHANGE SAVINGS FOR GOE FROM IMPORT
SUBSTITUTION

SINCE THERE ARE NO SIGNIFICANT ICE CREAM IMPORTS
INTO EGYPT, THERE WOULD BE NO IMPORT SUBSTITUTION
SAVINGS WITH THIS PROJECT.

THERE WOULD BE SUBSTANTIAL SAVINGS FROM WATER BOTTLING
PLANT BECAUSE WATER IS NOW IMPORTED IN FAIRLY LARGE
QUANTITIES FROM FRANCE, LEBANON AND ELSEWHERE.
FIGURES WERE NOT READILY AVAILABE (ALTHOUGH COULD BE
EASILY OBTAINED FROM IMPORT FIGURES).

PROFIT REMITTANCE

PRECISE FIGURES WERE NOT AVAILABLE ALTHOUGH COMPANY
SPOKESMAN SAID THEY EXPECTED 12-13 PERCENT RETURN ON
INVESTMENT. MOST PROFITS WOULD BE EARNED FROM LOCAL
CURRENCY SALES, WHICH MIGHT CAUSE PROBLEMS FOR
REPATRIATION. BORDEN HAS REQUESTED ASSURANCES FROM
GOE ABOUT THIS. INGERSOLL

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